

Message Text

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 6778

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C O N F I D E N T I A L KINSHASA 1872

PASS EXIM, OPIC, TREASURY, COMMERCE, AGRICULTURE

E.O. 11652: GDS

TAGS: EFIN EMIN EALR CG BE

SUBJ: QUESTION OF BELGIAN PRIVATE CREDITS TO GOZ; ANOTHER LOOK

REF: KINSHASA 1760

1. IT SEEMS THAT THE STORY TOLD BY THE BELGIAN ECON COUNSELOR (REFTEL) AIN'T QUITE WHAT HE MADE IT OUT TO BE. OTHER BELGIAN AND ZAIRIAN SOURCES HERE CONTEND THAT THE SOCIETE GENERAL DE BELGIQUE HAS ADVANCED THE GOZ SOME \$30 MILLION (NOT \$65) AS A SWAP ARRANGMENT INVOLVING THE REMAINED OR ZAIRE'S GOLD--WHICH THE GOZ WOULD BUY BACK WHEN THE IMF CREDITS ARE DRAWN LATER THIS MONTH. THIS FITS WITH MOST OF WHAT WE KNOW, BUT IT WOULD BE USEFUL IF WASHINGTON AND BRUSSELS WOULD CONFIRM.

2. THE SAME SOURCES INFORM US THAT THE \$175 MILLION REFERRED TO IN PARA 2 REFTEL IS NOT A NEW CREDIT, BUT RATHER REPRESENTS ZAIRE'S REGULAR COPPER EARNINGS THROUGH ITS MARKETING ARRANGEMENTS WITH SGM--WHICH HAVE INDEED BEEN RENEWED.

3. OUR UNDERSTANDING IS THAT, UNTIL NOVEMBER OF LAST YEAR
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SGM MARKETING ZAIRE'S COPPER UNDER AN ARRANGMENT WHEREBY SGM ADVANCED TO THE GOZ 70 PERCENT OF THE VALUE OF A GIVEN SHIPMENT,

BASED UPON THE PREVIOUS TWO MONTHS LME AVERAGE--THE REMAINDER BEING PAID MINUS SGM COMMISSION, INTEREST ON THE ADVANCE AND OTHER CHARGES UPON COMPLETION OF THE FINAL SALE. THROUGH THIS SYSTEM AND DEPENDING ON THE VOLUME OF EXPORTS AND LENGTH OF DELIVERY TIME INVOLVED IN VARIOUS CONTRACTS, SGM WAS ADVANCING SOME \$10 MILLION PER WEEK TO THE GOZ--THE QUASI TOTALITY OF ZAIRE'S FX EARNINGS IN RECENT MONTHS. THUS OVER ANY FOUR-MONTH PERIOD, GIVEN THE FACTORS MENTIONED ABOVE, THE GOZ INDEED HAD A "LINE OF CREDIT" TOTALLING SOME \$175 MILLION--WHICH LINE, OF COURSE IS ITS NORMAL COPPER EARNINGS ARRANGED FOR BY SGM TO COME IN IN A FAIRLY REGULAR MANNER.

4. IN NOVEMBER, SOZACOM, THE NEW GOZ MINERALS MARKETING ORGANIZATION, TOOK OVER THIS PART OF THE ARRANGEMENT WITH SGM, HOPING THEREBY TO FIND A BETTER PRE-FINANCING DEAL AND SAVE ON THE COMMISSION. SOZACOM WAS UNABLE TO PULL IT OFF AND BY THE FIRST WEEK IN FEBRUARY, FOR EXAMPLE, ZAIRE'S REVENUES FROM SOZACOM SALES (FAILURE TO SELL) WERE \$6 MILLION PER WEEK AND BY THE END OF THE MONTH FELL TO \$1 MILLION. WHAT HAS HAPPENED IS THAT THE GOZ TURNED BACK TO SGM, AND THE OLD SYSTEM HAS BEEN RE-INSTITUTED.

5. AGAIN WE WOULD APPRECIATE IT IF BRUSSELS COULD CHECK THE SGM-SOZACOM STORY OUT. WE WOULD BE DELIGHTED TO FIND THAT ZAIRE HAD FOUND \$175 MILLION NEW DOLLARS TO HELP IN ITS BALANCE OF PAYMENTS ASSETS--BUT IT LOOKS LIKE THE SAME OLD--AND INSUFFICIENT MONEY.

WALKER

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